



MONTHLY BUDGET REVIEW

Fiscal Year 2011

A Congressional Budget Office Analysis

Based on the *Monthly Treasury Statement* for April and the *Daily Treasury Statements* for May

June 7, 2011

The federal budget deficit is \$929 billion for the first eight months of fiscal year 2011, CBO estimates—\$6 billion less than the shortfall recorded over the same period last year. For the first two-thirds of the year, outlays are about 6 percent higher and revenues are about 10 percent higher than they were last year at this time.

APRIL RESULTS

The Treasury reported a deficit of \$40 billion for April, about \$1 billion less than CBO's estimate for that month based on the *Daily Treasury Statements*.

ESTIMATES FOR MAY (Billions of dollars)

	Actual FY 2010	Preliminary FY 2011	Estimated Change
Receipts	147	175	28
Outlays	283	235	-48
Deficit (-)	-136	-59	77

Sources: Department of the Treasury; CBO.

The deficit in May was \$59 billion, CBO estimates—\$77 billion less than the shortfall recorded in the same month last year. About \$43 billion of that reduction resulted from shifts in the timing of certain payments and revisions to the estimated costs of certain credit programs, mostly the Troubled Asset Relief Program (TARP).

Receipts in May were \$28 billion (or 19 percent) higher than receipts in May 2010, CBO estimates. Withheld income and payroll taxes rose by \$13 billion (or 10 percent) despite the temporary payroll tax cut in effect since January. Some of the increase in withholding can be attributed to how days fall in the calendar—specifically, there was an extra day of processing and an earlier Memorial Day weekend this year. Those timing factors boosted receipts in May (as contrasted with those a year earlier, when relatively more were collected in June). Another factor bolstering withholding was an increase in total wages and salaries.

Refunds of individual income taxes were \$4 billion (or 20 percent) lower than refunds in May 2010; most of the drop was caused by the earlier payment of refunds this year. Unemployment insurance receipts in May 2011 were up by \$7 billion over the amount collected in the same month a year ago, primarily because of states' efforts to replenish their unemployment insurance trust funds. In addition, corporate income taxes rose by \$1 billion, and receipts from the Federal Reserve increased by \$2 billion.

Outlays this May were \$48 billion lower than those recorded for May 2010, CBO estimates. That decrease is mainly attributable to a reduction in the estimated cost of the TARP, which decreased outlays in May by \$42 billion. (An even larger reduction was made last year in March.) In contrast, spending on international security assistance was \$2 billion higher in May 2011, because the annual payments to Egypt and Israel occurred in May this year (rather than in January, as in fiscal year 2010). There were also changes in the estimated costs of other credit programs and in the timing of some monthly payments, which accounted for \$4 billion of the difference in outlays between May 2011 and May 2010.

Excluding those changes in credit estimates and the timing shifts, outlays in May 2011 were \$5 billion lower than they were in the previous May. Outlays of the Federal Deposit Insurance Corporation (FDIC) were \$13 billion lower, and spending for unemployment compensation fell by \$3 billion. In contrast, net interest on the public debt grew by \$5 billion, and spending by the Social Security Administration was \$3 billion higher this May than it was last May. Spending for a number of other programs increased by smaller amounts.

BUDGET TOTALS THROUGH MAY (Billions of dollars)

	Actual FY 2010	Preliminary FY 2011	Estimated Change
Receipts	1,346	1,485	139
Outlays	2,282	2,414	132
Deficit (-)	-936	-929	6

Sources: Department of the Treasury; CBO.

CBO estimates that the government recorded a deficit of \$929 billion for the first eight months of the fiscal year, \$6 billion less than the deficit recorded for the same period last year. Receipts grew by \$139 billion and outlays climbed by \$132 billion, as compared with the amounts recorded for that period in fiscal year 2010.

Note: Unless otherwise indicated, the figures in this report include the Social Security trust funds and the Postal Service fund, which are off-budget. Numbers may not add up to totals because of rounding.

REVENUES THROUGH MAY
(Billions of dollars)

Major Source	Actual FY 2010	Preliminary FY 2011	Percentage Change
Individual Income	546	702	28.5
Social Insurance	588	557	-5.3
Corporate Income	81	85	4.8
Other	<u>130</u>	<u>140</u>	7.5
Total	1,346	1,485	10.3
Memorandum:			
Individual Income and Social Insurance Taxes Combined			
Withheld	1,112	1,171	5.3
Other	<u>23</u>	<u>89</u>	293.2
Total	1,134	1,259	11.0

Sources: Department of the Treasury; CBO.

Receipts in the first eight months of the fiscal year were about \$139 billion (or 10 percent) higher than receipts in the comparable period in fiscal year 2010. Individual income taxes, the largest tax source, showed a gain of \$156 billion (or 29 percent). In contrast, social insurance taxes fell during the period, as did estate and gift taxes (included in "Other"), because of legislation that temporarily reduced those taxes. (A temporary reduction in the Social Security payroll tax is in effect during the current calendar year. The temporary repeal of the estate tax in 2010 primarily affects 2011 receipts because of the delay permitted in filing estate tax returns.)

Withholding for individual income and payroll taxes rose by \$59 billion (or 5 percent), while nonwithheld taxes increased by \$41 billion (or 18 percent). The nonwithheld taxes primarily reflect collections during the recent tax-filing season of calendar year 2010 liabilities. Net receipts also rose because individual income tax refunds were \$15 billion lower than during the same period last year; refunds during the tax-filing season this year were 4 percent less than refunds during the comparable period a year ago. Receipts from unemployment insurance taxes rose by about \$10 billion.

Receipts from the Federal Reserve (included in "Other") were about \$9 billion higher in the first eight months of this fiscal year than during the same period last year, the result of earnings on its larger portfolio. Corporate income tax receipts increased by \$4 billion (or 5 percent), mostly reflecting corporations' 2010 activity.

OUTLAYS THROUGH MAY
(Billions of dollars)

Major Category	Actual FY 2010	Preliminary FY 2011	Percentage Change	
			Actual	Adjusted ^a
Defense—Military	443	448	1.1	1.1
Social Security				
Benefits	461	478	3.6	3.6
Medicare ^b	292	303	3.8	3.8
Medicaid	180	189	5.4	5.4
Unemployment				
Benefits	111	85	-22.9	-22.9
Other Activities	<u>728</u>	<u>773</u>	6.1	0.2
Subtotal	2,215	2,276	2.8	0.8
Net Interest on the Public Debt	152	176	16.1	16.1
TARP	-110	-37	n.m.	n.m.
Payments to GSEs	<u>25</u>	<u>-2</u>	n.m.	n.m.
Total	2,282	2,414	5.8	3.8

Sources: Department of the Treasury; CBO.

Note: TARP = Troubled Asset Relief Program;
GSE = government-sponsored enterprise;
n.m. = not meaningful.

- Excludes the effects of payments shifted because of weekends or holidays, and of prepayments of deposit insurance premiums.
- Medicare outlays are net of proprietary receipts.

Outlays through May were almost 6 percent higher than in the same period last year, CBO estimates. Excluding some large adjustments to the estimated cost of credit programs—mainly the TARP—and last year's prepayments of premiums to the FDIC (which were recorded as negative outlays), spending through May was up by about 1 percent compared with outlays in the same period last year.

Outlays for net interest on the public debt grew faster than the other major categories of spending, rising by \$24 billion, or 16 percent. Outlays for the three largest entitlement programs also grew during the first eight months of fiscal year 2011. Spending for Medicaid increased by \$10 billion (or 5 percent), while outlays for Medicare and Social Security grew by 4 percent each.

In contrast, smaller cash infusions and slightly larger dividend receipts reduced net payments to Fannie Mae and Freddie Mac by \$27 billion. Spending for unemployment benefits decreased by \$25 billion (or 23 percent) because of a decline in the number of claims and because average benefits were lower than they had been a year earlier.

Defense spending increased by about 1 percent. With the exception of spending on research and development, which declined by more than 6 percent, outlays for all major categories were comparable to or above last year's levels.